

Message Text

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OPIC-06 LAB-04 SIL-01 OMB-01 STR-07 CEA-01 AF-10
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FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 1826
INFO USICA WASHDC

UNCLAS SECTION 1 OF 2 JIDDA 3079

E.O. 11652: N/A
TAGS: PEPR, SA
SUBJ: SPEECH BY CROWN PRINCE FAHD ON ECONOMIC POLICY

1. USING THE OCCASION OF THE FOURTH MEETING OF THE BOARD
OF GOVERNORS OF THE ARAB BANK FOR DEVELOPMENT IN AFRICA.
CROWN PRINCE FAHD MADE A MAJOR SPEECH ON ECONOMIC POLICY
ON APRIL 19. EMBASSY TRANSLATION OF TEXT AS REPORTED
IN APRIL 20 SAUDI PRESS FOLLOWS.

2. BEGIN TEXT: I AM VERY HAPPY TO WELCOME YOU AND TO
SPEAK TO YOU ON THE OCCASION OF THE CONVENING OF THE BOARD
OF GOVERNORS CONFERENCE OF THE ARAB BANK FOR ECONOMIC DEVEL-
OPMENT IN AFRICA. I PAY TRIBUTE TO THE EFFORTS MADE BY
THE BANK IN SUPPORTING THE DEVELOPMENT OF THE AFRICAN
PEOPLES, WHO ARE CONNECTED TO THE ARAB PEOPLES BY ANCIENT
AND RENEWED TIES. THE ETERNAL IDEALS OF ISLAM HAVE TAUGHT
US TO COOPERATE WITH THE PEOPLES OF THE WORLD WITH A
SINCERE SPIRIT. THEREFORE, THERE HAS BEEN A STRONG TIE
BUILT ON AN EXCHANGE OF CONFIDENCE BETWEEN THE ARAB AND
AFRICAN PEOPLES.

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3. WHEN WE MEET ON OCCASIONS OF THIS KIND, WE REVIEW
ISSUES AND DEVELOPMENT PROBLEMS IN OUR COUNTRIES. IT
APPEARS TO US THAT THE WORLD IN WHICH WE LIVE HAS BECOME
MORE INTERDEPENDENT THAN AT ANY TIME IN THE PAST. ITS
INTERESTS HAVE BECOME INCREASINGLY INTERWOVEN, TO THE
DEGREE THAT IT HAS BECOME IMPOSSIBLE FOR US TO LOOK AT THE
ECONOMIC ISSUES OF SOME PARTS OF THE WORLD AND IGNORE

OTHERS.

4. THE GREATEST PROBLEM WHICH FACES THE WORLD TODAY IS THAT MORE THAN TWO-THIRDS OF ITS POPULATION DO NOT HAVE THE BASIC REQUIREMENTS OF LIFE. STATISTICS INDICATED THAT 30 PER CENT OF THE WORLD'S POPULATION GETS 3 PER CENT OF WORLD INCOME AND THAT 20 PER CENT REGRETTABLY GETS 60 PERCENT OF THE INCOME. THE GAP IN LIVING STANDARDS BETWEEN DEVELOPING AND DEVELOPED NATIONS HAS INCREASED OVER PAST YEARS. THIS SITUATION REQUIRES A SPEEDY AND SINCERE EFFORT FOR A OCCURENCES OF SOCIAL INSTABILITY, WHICH IN TURN AFFECT THE STABILITY OF OTHER PARTS OF THE WORLD AND THEREBY OBSTRUCT COMPRESHESIVE DEVELOPMENT.

5. IF WE LOOK AT THIS SITUATION FROM THE ECONOMIC ASPECT, WE FIND THAT THE ADVANCE INDUSTRIALIZED COUNTRIES BENEFIT FROM SUPPORTING DEVELOPMENT PROGRAMS IN THE DEVELOPING COUNTRIES BECAUSE THIS BRINGS ABOUT A RISE IN ECONOMIC DEVELOPMENT AS A RESULT OF THE EXPECTED INCREASED NEEDS FOR GOODS AND SERVICES IN THE DEVELOPING STATES.

6. IT IS REGRETTABLE THAT THE GREAT EFFORTS MADE THROUGH SOME INTERNATIONAL CONFERENCES, SUCH AS THE DIALOGUE BETWEEN THE NORTH AND THE SOUTH AND THE UN CONFERENCE FOR TRADE AND DEVELOPMENT, DID NOT SUCCEED IN REALIZING THESE PRESSING DEMANDS, WHEN THE KINGDOM OF SAUDI ARABIA MADE UNCLASSIFIED

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ITS CALL FOR DIALOGUE INSTEAD OF A CONFRONTATION BETWEEN THE INDUSTRIALIZED AND THE DEVELOPING STATES, WHICH RESULTED IN THE CONVENING OF THE NORTH AND SOUTH DIALOGUE, WE EXPECTED THAT THE FACTS SURROUNDING THE SITUATION WOULD ENCOURAGE ALL THE PARTIES TO MAKE THAT CONFERENCE A SUCCESS, BUT THAT DID NOT HAPPEN.

7. NOW WE FEEL THAT THERE ARE ONLY TWO WAYS UNDER WHICH THE ADVANCED INDUSTRIALIZED STATES MAY BE ABLE TO HELP THE DEVELOPING STATES, THESE ARE: TRADE AND DEVELOPMENT ASSISTANCE. THE REMOVAL OF OBSTACLES, INCLUDING CUSTOMS BARRIERS AND TRADE CONDITONS, ARE NECESSARY MEASURES FOR THE DEVELOPMENT MF THE EXPORTS OF THE DEVELOPING STATES TO THE ADVANCED STATES.IT IS ALSO NECESSARY TO STABILIZE THESE EXPORTS BY HALTING FLUCTUATIONS IN PRICE OF MATERIALS AND THE EXCHANGE RATE OF CURRENCIES. AS FOR DEVELOPMENT ASSISTANCE, WE EXPECT ALL THE STATES OF THE WORLD WHO CAN, THE INDUSTRIALIZED STATES FOREMOST, TO INCREASE THEIR VOLUME OF ASSISTANCE TO THE DEVELOPING STATES, AT LEAST TO THE PROPORTION SET BY THE DEVELOPMENT ASSISTANCE COMMITTEE OF THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT, WHICH IS EQUIVALENT TO 0.7 PER CENT OF

THE TOTAL NATIONAL PRODUCTION OF THESE STATES. ONLY ABOUT
HALF OF THIS PERCENTAGE HAS BEEN REALIZED.

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8. IT IS WORTH MENTIONING THAT THE ARAB GROUP, WHICH
NATURALLY BELONGS TO THE GROUP OF DEVELOPING STATES AND
WHICH IS FAMILIAR WITH THE PROBLEMS OF DEVELOP-
MENT, UNDERTOOK EVEN BEFORE THE INCREASE OF ITS PETROLEUM
RESOURCES TO CONTRIBUTE THE GREATEST POSSIBLE SUPPORT
TO THE DEVELOPMENT PROGRAMS OF ALL THE DEVELOPING STATES
IN ASIA AFRICA, AND SOUTH AMERICA, AT THE PRESENT TIME
THERE ARE SOME 13 ESTABLISHMENTS FORMED AND FINANCED
PARTLY OR MAINLY BY THE ARAB STATES. ALL CONTRIBUTING TO
SUPPORT THE ABILITY OF THE DEVELOPING STATES TO EXECUTE
THEIR DEVELOPMENT PROJECTS AND FACE THE PROBLEMS OF BAL-
ANCE OF PAYMENTS IN THOSE STATES. THE PERCENTAGE OF WHAT
THIS GROUP GIVES TO DEVELOPING STATES, IN PROPORTION TO
ITS GNP HAS HIT A HISTORIC RECORD NEVER REALIZED PREVIOUSLY.

9. OUR WOULD TODAY FACES OTHER ECONOMIC PROBLEMS, INCLU-
DING A LOW RATE OF ECONOMIC GROWTH, A HIGH RATE OF INFLA-
TION, A CONTINUED DRAIN OF ENERGY, AND A LACK OF WORLD
MONETARY STABILITY, PROBLEMS WHICH ALARM THE DEVELOPING
AND THE ADVANCED COUNTRIES OF THE WORLD ALIKE. THE SLOW
RATE OF DEVELOPMENT AND THE INCREASED PERCENTAGE OF INFLA-
TION CHALLENGE THE WORLD TO INCREASE COOPERATION TO STEP
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UP PRODUCTION AND DECREASE UNEMPLOYMENT WITHOUT INCREASING INFLATION. IT HAS BEEN AGREED THAT NO GENUINE ECONOMIC REVIVAL CAN BE ACHIEVED SO LONG AS PRICE HIKES CONTINUE. ALTHOUGH THE RATE OF INFLATION HAS GONE DOWN TO SOME EXTENT IN MOST PARTS OF THE WORLD, IT STILL REMAINS HIGH. IT IS THEREFORE NECESSARY FOR THE WORLD, ESPECIALLY THE ADVANCED WORLD, TO UNDERSTAND THAT THE TASK OF GETTING A HIGHER RATE OF ECONOMIC DEVELOPMENT MUST BE ACCOMPLISHED WITHIN THE FRAME WORK OF MONETARY POLICIES AIMED LOWERING THE RATE OF INFLATION. I WOULD LIKE TO REMARK HERE THAT THE HIGH RATE OF INFLATION IN INDUSTRIALIZED DEVELOPED NATIONS HAS A GREATER IMPACT ON DEVELOPING COUNTRIES, FOR IT ADVERSELY AFFECTS THEIR TRADE STATUS AND REDUCES DEVELOPMENT BECAUSE OF THE INCREASED PRICES OF COMMODITIES THEY IMPORT FROM DEVELOPED NATIONS, PARTICULARLY PRODUCTIVE GOODS, IN ADDITION TO THE RATE OF INFLATION GENERATED BY DOMESTIC MEANS.

10. IN REGARD TO ENERGY, THERE IS UNIVERSAL CONSENSUS THAT KNOWN WORLD RESERVES OF OIL AND GAS ARE LIMITED. IT IS THEREFORE NECESSARY THAT GREAT EFFORTS BE MADE NOT TO SQUANDER THESE SUPPLIES. WHAT REALLY WORRIES US IS THAT THE CONSUMPTION OF ENERGY CONTINUES TO INCREASE IN THE DIFFERENT PARTS OF THE WORLD, WHILE THE INTERESTS OF THE PETROLEUM AND GAS PRODUCING STATES AND THE CONSUMING STATES NEED DECISIVE MEASURES TO BRING ABOUT REDUCED CONSUMPTION AND TO FIND ALTERNATIVE SOURCES. WE CALL UPON ALL THE STATES OF THE WORLD TO CONSIDER THIS PROBLEM AND GIVE IT ADEQUATE PRIORITY SO AS TO MAINTAIN THE PROGRESS AND PROSPERITY OF ALL THE PEOPLES OF THE WORLD.

11. THE KINGDOM OF SAUDI ARABIA, AWARE OF ITS JOINT RESPONSIBILITY IN INTERNATIONAL SOCIETY, HAS ACTED AND UNCLASSIFIED

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CONTINUES TO ACT WITH SINCERITY AND TRUTH TO PROVIDE A SUITABLE PRODUCTION OF PETROLEUM AND GAS, BUT OUR AWARENESS OF OUR RESPONSIBILITY TOWARDS THE FORTHCOMING GENERATIONS IN THE KINGDOM ALSO REQUIRES US TO BE ACCURATE IN FINDING A WELL-CALCULATED BALANCE BETWEEN THE PRESENT AND THE FUTURE.

12. AS REGARDS THE WORLD MONETARY SYSTEM, THE PROBLEMS OF MONETARY INSTABILITY WHICH AFFECTED THE WHOLE WORLD IN THE 70'S AND WHICH HAS INCREASED RECENTLY, IS A STRONG CAUSE FOR UNEASINESS, SINCE IT IS ONE OF THE IMPORTANT FACTORS OF INFLATION ADVERSELY AFFECTING WORLD TRADE AND OPPRESS-

ING CREDITORS AND DEBTORS. IT MAY BECOME A FACTOR OF STIRRING UP WORLD DISAGREEMENTS. AS FOR OIL PRODUCERS, IT HARMS THEIR INTERESTS, AND THE REMOVAL OF THIS UNREST REQUIRES THE SINCERE COOPERATION OF THE MAIN INDUSTRIAL STATES, WITH THE AIM OF REMOVING IMBALANCE AND ENCOURAGING BALANCED GROWTH IN WORLD TRADE AND DEVELOPMENT. THE POLICY OF THE KINGDOM OF SAUDI ARABIA, AS IS KNOWN TO ALL, STRESSES THE MAINTENANCE OF MONETARY STABILITY, AND WE ARE DETERMINED TO CONTINUE THIS POLICY, EVEN THOUGH IT HAS COST US LOTS OF SACRIFICES AT MANY TIMES, AND EVEN THOUGH WE ARE A DEVELOPING COUNTRY WITH INCREASED NEEDS FOR THE ACHIEVEMENT OF OUR DEVELOPMENT GOALS AND FACE EVER-INCREASING COSTS OF OUR IMPORTED INDUSTRIAL PRODUCTS.

13. WE FULLY BELIEVE THAT THERE IS A GENUINE UNDERSTANDING ON THE PART OF ALL WORLD LEADERS, INCLUDING THOSE OF BOTH THE DEVELOPING AND THE INDUSTRIAL STATES, OF THE IMPORTANCE OF THESE ISSUES, -AND THAT DEVELOPMENT IS PROBLEM WHICH CONCERNS THE INTERNATIONAL COMMUNITY AS A WHOLE AND THE ITS REALIZATION CANNOT BE ACCOMPLISHED EXCEPT BY SINCERE COOPERATION, INCLUDING MUTUAL SACRIFICE AND INTERESTS. THE WORLD AWAITS WITH GREAT INTEREST THE SUMMIT CONFERENCE TO BE CONVENED IN THE NEAR FUTURE BY THE MAIN INDUSTRIAL STATES IN BONN. WITH OUR UNDERSTANDING OF UNCLASSIFIED

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THE GREAT RESPONSIBILITY WHICH IS TO BE FACED BY THIS MEETING, WE ARE OPTIMISTIC THAT THE CONFERRING STATES WILL SPARE NO EFFORT IN FINDING THE RADICAL SOLUTIONS TO THE MAIN PROBLEMS FACING THE WORLD. WE ALSO EXPECT THEM REALLY TO UNDERSTAND THAT THE PROBLEMS OF ECONOMIC GROWTH WHICH FACE THE INDUSTRIALIZED STATES ARE CONNECTED TO THE PROBLEMS OF ECONOMIC GROWTH IN THE VARIOUS DEVELOPING STATES AND THAT IT IS THEREFORE NECESSARY TO TAKE THEM INTO ACCOUNT WHEN DRAWING UP EXPECTED PLANS OF REFORMS. END TEXT. WEST

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